

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA :
 : INDICTMENT
 -v- :
 MORRIS WEISSMAN, : 01 Cr.
 :
 Defendant. :
 - - - - -x

COUNT ONE

(Conspiracy To Commit Securities Fraud, To Falsify Books
and Records, And To Make False Statements To Auditors)

The Grand Jury charges:

THE RELEVANT PARTIES

1. At all times relevant to this Indictment, American Banknote Corporation ("ABN"), a Delaware corporation, was a holding company whose various subsidiaries, located in the United States, Australia, Brazil, New Zealand, and France, engaged in the business of designing and manufacturing products that included counterfeit-resistant technology. Among other things, ABN's products included: currencies; travelers and other checks; stock and bond certificates; stored value telephone, magnetic-strip, memory, and microprocessing-based transaction cards; and a wide variety of electronically and digitally produced personalized documents. ABN maintained its principal executive offices in New York, New York. On or about December 8, 1999, ABN filed for a petition for relief

under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York.

2. At all times relevant to this Indictment, American Bank Note Holographics, Inc. ("ABNH"), a Delaware corporation and a wholly-owned ABN subsidiary until in or about July 1998, was engaged principally in the business of originating, producing, and manufacturing mass-produced secure holograms. One of ABNH's principal lines of business was the production and sale of secure holograms for Visa and MasterCard credit cards. ABNH maintained its principal executive offices in Elmsford, New York.

3. At all times relevant to this Indictment, MORRIS WEISSMAN, the defendant, was the Chairman of the Board of Directors and Chief Executive Officer ("CEO") of ABN and, once ABNH became an independent public corporation, ABNH. On or about April 9, 1999, WEISSMAN resigned his positions at ABNH. Effective July 1, 2000, WEISSMAN retired from his positions at ABN.

4. In or about November 1995, Joshua C. Cantor ("Cantor"), a co-conspirator not named herein as a defendant, became Executive Vice President and General Manager of ABNH. In or about May 1997, Cantor became President of ABNH. On or about February 4, 1999, Cantor resigned his position at ABNH.

5. From in or about April 1988 to in or about June 1997, Richard P. Macchiarulo ("Macchiarulo"), a co-conspirator not named herein as a defendant, served, at various times, as Assistant

Controller and Director of Financial Reporting and Budgets for ABN. In or about June 1997, Macchiarulo became ABNH's Vice President of Finance. Macchiarulo resigned his position at ABNH on or about February 4, 1999. At all times relevant to this Indictment, Macchiarulo was a certified public accountant.

BACKGROUND

Trading In Equity Securities Of ABN And ABNH

6. At all times relevant to this Indictment, ABN's common stock was publicly traded on the New York Stock Exchange ("NYSE") under the symbol "ABN."

7. In or about July 1998, ABNH filed a registration statement with the United States Securities and Exchange Commission ("SEC"), pursuant to which ABNH sought to register its common stock for sale to members of the public in the United States.

8. On or about July 14, 1998, the SEC declared effective ABNH's registration statement. Pursuant to the registration statement, ABN conducted an initial public offering ("IPO"), through underwriters in New York, New York, among other places, of approximately 13,636,000 shares of ABNH common stock at an initial offering price of \$8.50 per share, for a total of approximately \$115 million. On or about July 15, 1998, ABNH's common stock began publicly trading on the NYSE under the symbol "ABH."

Financial Disclosures and Procedures

9. ABN and ABNH were required to comply with provisions of the federal securities laws, including the Securities Exchange Act of 1934 and regulations promulgated thereunder, that were designed to ensure that each company's financial information was accurately recorded and disclosed to the public.

10. Under these provisions, ABN and ABNH had the duty to, among other things: (a) make and keep books, records, and accounts that accurately and fairly reflected each company's business transactions; (b) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that each company's transactions were recorded as necessary to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles and other applicable criteria; (c) file with the SEC annual financial statements, audited by an independent accountant, that disclosed each company's balance sheet as of the end of the two most recent fiscal years and each company's statement of income and cash flow for each of the three most recent fiscal years; and (d) file with the SEC quarterly updates of their financial statements that disclosed their financial condition and the results of their business operations for each three-month period.

11. From at least 1996 through 1998, ABN publicly filed with the SEC annual and quarterly reports that purported to conform

with these legal requirements. Each of these reports contained what were purported to be accurate financial statements of ABN, including statements of its revenue and net income. In these reports, ABN represented, among other things, that it recorded revenue only after goods were completed and either shipped to customers or segregated from the rest of its inventory and delivered to an on-site secured facility for the benefit of specific customers.

ABN's Financial Condition

12. ABNH was an important contributor to ABN's overall financial performance. During fiscal years 1996 and 1997, ABN reported revenue in excess of \$300 million per year. However, ABN reported consolidated net income of only \$4,099,000 in 1996 (approximately 1% of revenues) and a consolidated net loss of \$1,749,000 in 1997; these numbers reflected the combined performance of all of ABN's subsidiaries. In contrast, ABNH, although it accounted for less than 10 percent of ABN's consolidated sales in 1996 and 1997, was a high-margin business which contributed a disproportionate share of ABN's net income. For example, ABNH reported net income of \$4,820,000 for 1996 and net income of \$7,539,000 for 1997, more than the consolidated net income of ABN for those years.

13. In the period from 1996 through July 1998, ABN was also heavily indebted. At the end of 1997, ABN had long-term debt

of approximately \$293 million and was required to pay millions of dollars per year in interest and principal payments. The combination of ABN's thin profit margins and heavy debt load placed ABN in a precarious financial condition: if it did not generate sufficient cash to meet its debt requirements, the corporation could be forced into bankruptcy. MORRIS WEISSMAN, the defendant, and other ABN executives had been actively seeking means to generate cash and reduce ABN's debt since as early as 1996. By early 1998, WEISSMAN determined to do so by selling ABNH to members of the public in an IPO.

THE SCHEME TO INFLATE THE REPORTED
FINANCIAL PERFORMANCE OF ABN AND ABNH

14. Beginning in or about late 1996 and continuing through in or about December 1998, MORRIS WEISSMAN, the defendant, and his co-conspirators, including Cantor and Macchiarulo, devised and put into effect a scheme to inflate the revenues and earnings that ABN and ABNH reported to the public and the SEC. The scheme began while ABNH was a wholly-owned subsidiary of ABN and continued after ABNH became a publicly-traded company in or about July 1998. As a result of the scheme, ABN and ABNH disclosed to members of the public, including the companies' shareholders and bondholders, materially false information about the companies' revenues and earnings. This fraud was particularly significant in that it enabled WEISSMAN and his co-conspirators to report an upward trend in ABNH's revenue and earnings in the period leading up to the IPO,

when, in fact, its revenue and earnings were declining during this period. On the basis of this fraudulent financial information, WEISSMAN and his co-conspirators caused ABN to sell the common stock of ABNH to members of the public for a total price of approximately \$115 million, substantially in excess of its true value.

15. The essential means by which MORRIS WEISSMAN, the defendant, and his co-conspirators, including Cantor and Macchiarulo, fraudulently inflated the revenue and earnings of ABN and ABNH, was by recording revenue for sales to ABNH customers that did not actually occur or that were incomplete as of the time they were recorded. To carry out this fraud, WEISSMAN, Cantor and Macchiarulo deceived the independent auditors of ABN and ABNH ("ABN's Independent Auditors") with false representations and fabricated corporate records concerning these transactions. Moreover, WEISSMAN, Cantor, and Macchiarulo enlisted the assistance of numerous others, including customers and lower-level employees of ABNH, in verifying false representations, creating false corporate records, and performing other tasks necessary to prevent ABN's Independent Auditors from discovering the scheme and disclosing its impact on the financial statements of ABN and ABNH. Thus, for example:

a. On or about January 30, 1997, with the knowledge and approval of WEISSMAN, Cantor convinced an ABNH customer ("Customer-

1") to represent that the customer had purchased approximately \$400,000 of Visa holograms (i.e., holograms affixed on Visa credit cards for security purposes) during 1996 when no such purchase had actually taken place. Based on this non-existent transaction, ABNH fraudulently recorded, as revenue earned in 1996, a sale of approximately \$400,000 to Customer-1. At the request of Cantor, an employee of Customer-1 later signed a representation letter to ABN's Independent Auditors that falsely confirmed that a sale in this approximate amount had occurred in 1996; and

b. In or about December 1997, with the knowledge and approval of WEISSMAN, Cantor convinced Customer-1 to assist ABN and ABNH in fraudulently recording revenue in 1997 for a purported sale of approximately \$1.3 million of Visa holograms to Customer-1. In order to create the appearance that ABNH had sold approximately \$1.3 million of Visa holograms before the end of 1997, Cantor arranged for ABNH to deliver a large number of unfinished holograms to Customer-1 at the end of the year. Customer-1 agreed to accept delivery of these unfinished holograms on the representation and condition that Customer-1 would return the unfinished holograms to ABNH after the end of the year. Pursuant to this arrangement, ABNH delivered a large quantity of unfinished Visa holograms to Customer-1 on or about December 31, 1997, and, in the first quarter of 1998, Customer-1 returned these unfinished holograms to ABNH. ABN and ABNH recorded 1997 revenue of approximately \$1.3 million

for this shipment. On or about March 4, 1998, at the request of Cantor, an employee of Customer-1 signed a representation letter to ABN's Independent Auditors that falsely confirmed that Customer-1 owed ABNH a total of approximately \$1.9 million -- which included the fraudulent \$1.3 million transaction -- as of December 31, 1997.

The MasterCard Transaction

16. The largest transaction for which ABNH improperly recorded revenue was a sale of approximately \$6.9 million of holograms that arose out of an order for \$8 million of holograms that MasterCard placed with ABNH in December 1997 and that ABNH completed in 1998 with the assistance of a subcontractor (hereinafter, the "MasterCard Transaction"). Under the terms of this order, ABNH was required to produce approximately 17,500 reels of MasterCard holograms, each consisting of approximately 20,000 individually numbered holograms.

17. Pursuant to a "bill and hold" arrangement with MasterCard, ABNH typically recognized sales to MasterCard when completed holograms were transferred to a secure on-site facility at ABNH, rather than when goods were actually shipped to MasterCard. This arrangement was disclosed in annual reports to the SEC and shareholders for 1996 and 1997, as well as in the registration statement ABNH filed in connection with its IPO in or about July 1998. Under criteria established by the SEC, revenue may be recorded under a "bill and hold" arrangement only if, among

other requirements, products are complete and ready for shipment, segregated from the seller's inventory, and not subject to being used to fill other orders. Consequently, in order to recognize revenue for the MasterCard Transaction in 1997, ABNH was required to deliver completed "reels" of individually numbered MasterCard holograms to its on-site secure vault on or before December 31, 1997.

18. As MORRIS WEISSMAN, the defendant, knew, ABNH produced and delivered very few, if any, of the MasterCard holograms by the end of 1997. In order to fill this order, ABNH entered into a subcontract with another hologram manufacturer (the "Subcontractor"). However, the Subcontractor only had the manufacturing capability to produce what are commonly known as "rolls" of holograms. Those "rolls" had to undergo an important manufacturing process at ABNH - commonly known as "slitting and numbering" - before they could be converted into finished "reels" for the use of MasterCard. Moreover, the Subcontractor, which did not begin work until the middle of December 1997, failed to complete production of the required quantity of unfinished "rolls" of holograms until mid-January 1998. Nevertheless, in order to boost the reported revenue and income of ABNH and ABN, WEISSMAN and his co-conspirators recorded as revenue in 1997 approximately \$6.9 million of the \$8 million MasterCard order, of which approximately \$6.2 million was fraudulent.

19. In or about early 1998, in connection with the audit of ABN's 1997 financial statements, ABN's Independent Auditors requested documentation from ABNH to justify recognition of the \$6.9 million MasterCard Transaction. In response, MORRIS WEISSMAN, the defendant, along with Cantor, Macchiarulo, and others at ABNH, undertook an extensive effort to deceive ABN's Independent Auditors, with the goal of assuring the improper recognition of the full \$6.9 million in 1997.

20. MORRIS WEISSMAN, the defendant, directed Cantor and Macchiarulo to create false documents regarding the MasterCard Transaction in an effort to satisfy ABN's Independent Auditors. These false documents included the following:

a. Falsified shipping records from the Subcontractor. Cantor and Macchiarulo whited-out and altered shipping records from the Subcontractor to create the false appearance that the Subcontractor had delivered finished reels of holograms, by December 31, 1997, in an amount corresponding to the \$6.9 million MasterCard Transaction.

b. Fabricated receiving documents purportedly drawn from ABNH's internal files. Receiving documents of ABNH were fabricated after the fact by ABNH employees acting at Cantor's direction to create the false appearance that ABNH had received, by December 31, 1997, finished reels of holograms in an amount corresponding to the \$6.9 million MasterCard Transaction.

21. Notwithstanding receipt of these falsified documents, in or about mid-February 1998, ABN's Independent Auditors advised ABNH that it would be necessary to obtain a written representation letter signed by the Subcontractor, confirming that ABNH had received finished reels of MasterCard holograms from the Subcontractor on or before December 31, 1997 in an amount sufficient to fulfill the \$6.9 million MasterCard Transaction (hereinafter, the "Subcontractor's Confirmation Letter"). ABN's Independent Auditors provided the language of the Subcontractor's Confirmation Letter, and insisted that it be signed by a representative of the Subcontractor.

22. Between late February and early March 1997, Macchiarulo, Cantor, and MORRIS WEISSMAN, the defendant, each contacted a representative of the Subcontractor ("Person-1"), individually, and requested that Person-1 sign the Subcontractor's Confirmation Letter. In response to each request, Person-1 refused to sign the letter, explaining that he/she would not do so because the representations contained in the letter were false.

23. Because Person-1 refused to sign the Subcontractor's Confirmation Letter, MORRIS WEISSMAN, the defendant, Cantor and Macchiarulo devised another means of deceiving ABN's Independent Auditors. At Weissman's direction, Cantor and Macchiarulo obtained a bogus report from an independent security firm. This security firm had been hired by ABNH to guard the Subcontractor's

manufacturing facility during the production of the unfinished rolls. The firm, however, had not witnessed the production of finished reels, and its representatives had remained on site at the Subcontractor's premises well into January 1998. Nevertheless, Cantor procured a report, signed by the Chairman and CEO of the independent security firm, which was backdated and which falsely represented that the security firm had witnessed the production of finished reels of holograms by the Subcontractor, by December 31, 1997, in an amount corresponding to the \$6.9 million MasterCard Transaction.

24. ABN's Independent Auditors, however, continued to insist that ABNH produce a signed Subcontractor's Confirmation Letter as a precondition to recognition of the \$6.9 million MasterCard Transaction. In response, MORRIS WEISSMAN, the defendant, argued to ABN's Independent Auditors that a confirmation letter from the Subcontractor was unnecessary, and that the auditors should accept the documentation that had been provided by ABNH. As a result, in or about early March 1998, ABN's Independent Auditors advised WEISSMAN that a disagreement existed between ABN and the auditors and requested a meeting with the Audit Committee of ABN's Board of Directors.

25. In or about mid-March 1998, MORRIS WEISSMAN, the defendant, contacted the owner of the Subcontractor ("Person-2"), bypassing Person-1. Despite his knowledge that the Subcontractor's

Confirmation Letter was false, WEISSMAN persuaded Person-2 to sign the confirmation letter, which Person-2 signed on or about March 11, 1998.

26. On or about March 17, 1998, MORRIS WEISSMAN, the defendant, Cantor, Macchiarulo, and others signed a management representation letter addressed to ABN's Independent Auditors in connection with the audit of ABN's financial statements for the year ending December 31, 1997. In that letter, WEISSMAN, Cantor, and Macchiarulo falsely represented that the Subcontractor had delivered to ABNH, on or before December 31, 1997, finished reels of MasterCard holograms in an amount sufficient to satisfy the \$6.9 million MasterCard Transaction.

27. As a result of the deception by MORRIS WEISSMAN, the defendant, and others, ABN's Independent Auditors approved recognition of the \$6.9 million MasterCard Transaction in ABN's 1997 financial results.

The ABNH IPO

28. In July 1998 -- approximately four months after the completion of the 1997 audit -- ABNH conducted its IPO. In connection with the IPO, MORRIS WEISSMAN, the defendant, and others signed and caused ABNH to file with the SEC a registration statement on Form S-1 (the "Registration Statement"), which included financial statements of ABNH that falsely purported to conform with applicable regulatory requirements. The Registration

Statement purported to disclose, among other things, ABNH's sales, net income, and income per share for the years ended December 31, 1996 and December 31, 1997, as follows:

Item	Year ending 12/31/96	Year ending 12/31/97
Sales	\$28,649,000	\$30,915,000
Net income	\$4,820,000	\$7,539,000
Income per share	\$.35	\$.55

Included as reported revenue and income were the \$6.9 million MasterCard Transaction and other sales that, as described above, either had not occurred or were not completed by the end of the relevant fiscal year. As a result of the inclusion of these transactions - and the MasterCard Transaction in particular - ABNH reported revenue and income that substantially exceeded its actual revenue and net income, and gave the false impression that ABNH's financial performance was strong and improving over time. On the basis of this fraudulent financial information, investors purchased in the IPO approximately 13,636,000 shares of common stock of ABNH, at \$8.50 per share, for a total of approximately \$115 million.

ABNH'S ANNOUNCEMENT OF IMPROPER REVENUE RECOGNITION AND
EVENTUAL RESTATEMENT OF ITS FINANCIAL RESULTS

29. In a series of press releases beginning on or about January 19, 1999, ABNH disclosed that it had uncovered evidence of inappropriate revenue recognition during 1996, 1997, and 1998. These press releases stated ABNH's belief that, as a result of the improper revenue recognition, ABNH's financial statements would

likely require restatement. ABNH's disclosures had an immediate effect on the market for its common stock. On or about January 15, 1999, the last trading day prior to the initial press release, ABNH stock closed at a price of \$15.0625 per share. On or about January 20, 2000, the day after the initial press release, ABNH's stock closed at a price of \$4.5625 per share, a decline of approximately 70 percent. Between on or about January 21, 1999 and on or about February 1, 1999, as ABNH issued additional press releases increasing the estimated scope of the restatement, ABNH's stock continued to decline, closing at a price of \$1.75 per share on or about February 2, 1999. On or about August 3, 1999, ABNH's common stock was suspended from trading on the NYSE.

30. In or about December 1999, following an internal investigation regarding the MasterCard Transaction and other instances of fraudulent revenue recognition, ABNH issued restated financial statements for 1996, 1997, and the first three quarters of 1998. The restated financial results reflect financial performance that was significantly poorer than the results that had been reported in the Registration Statement:

Item	Year ending 12/31/96	Year ending 12/31/97
Sales	\$27,516,000	\$23,085,000
Net income	\$4,338,000	\$2,820,000
Income per share	\$.32	\$.21

Based on the restated figures indicates, ABNH overstated its actual net income for 1996 by \$482,000 (11%), its actual revenues for 1997 by \$7,830,000 (34%), and its actual net income for 1997 by \$4,719,000 (169%). Also, the restated figures demonstrate a downward trend in sales and net income from 1996 to 1997, in sharp contrast to the upward trend presented to investors in the IPO.

STATUTORY CHARGE

The Conspiracy

31. From in or about late 1996 to in or about December 1998, in the Southern District of New York and elsewhere, MORRIS WEISSMAN, the defendant, and others known and unknown, unlawfully, willfully, and knowingly did combine, conspire, confederate, and agree together and with each other to commit offenses against the United States, namely, (a) to commit fraud in the offer and sale of securities by ABNH, in violation of Title 15, United States Code, Sections 77q(a) and 77x; (b) to falsify books, records, and accounts of ABNH and ABN, in violation of Title 15, United States Code, Sections 78m(b) (2) (A), 78m(b) (5) and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-1, and (c) to directly and indirectly, (A) make and cause to be made materially false and misleading statements; and (B) omit to state, and cause others to omit to state, material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading to accountants in connection with (i) audits and

examinations of the financial statements of ABN, an issuer registered pursuant to section 12 of the Securities Exchange Act of 1934; and (ii) the preparation and filing of documents and reports required to be filed with the SEC pursuant to rules and regulations promulgated by the SEC, in violation of Title 15, United States Code, Sections 78m(b)(1) and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-2.

THE OBJECTS OF THE CONSPIRACY

Fraud In The Offer And Sale Of Securities

32. It was a part and an object of the conspiracy that MORRIS WEISSMAN, the defendant, and others known and unknown, unlawfully, willfully, and knowingly, in the offer and sale of ABNH securities by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, would and did: (a) employ devices, schemes, and artifices to defraud; (b) obtain money and property by means of untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engage in transactions, practices, and courses of business which operated and would operate as a fraud and deceit upon the purchasers of ABNH securities, all in violation of Title 15, United States Code, Sections 77q(a) and 77x.

False Books and Records

33. It was further a part and an object of the conspiracy that MORRIS WEISSMAN, the defendant, and others known and unknown, unlawfully, willfully, and knowingly would and did, directly and indirectly, falsify and cause to be falsified books, records, and accounts which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of the assets of ABNH and ABN, issuers with classes of securities outstanding pursuant to Section 12 of the Securities Exchange Act of 1934, in violation of Title 15, United States Code, Sections 78m(b) (2) (A), 78m(b) (5) and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-1.

False Statements To Auditors

34. It was further a part and an object of the conspiracy that MORRIS WEISSMAN, the defendant, and others known and unknown, unlawfully, willfully, and knowingly would and did, directly and indirectly, (a) make and cause to be made materially false and misleading statements; and (b) omit to state, and cause others to omit to state, material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading to accountants in connection with (i) audits and examinations of the financial statements of ABN, an issuer registered pursuant to section 12 of the Securities Exchange Act of 1934; and (ii) the preparation and filing of documents and

reports required to be filed with the SEC pursuant to rules and regulations promulgated by the SEC, in violation of Title 15, United States Code, Sections 78m(b) (1) and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-2.

MEANS AND METHODS OF THE CONSPIRACY

35. Among the means and methods by which MORRIS WEISSMAN, the defendant, and his co-conspirators would and did carry out the conspiracy were the following:

a. WEISSMAN and his co-conspirators caused ABNH to file with the SEC a registration statement containing financial statements that materially overstated ABNH's sales figures and failed to disclose substantial irregularities in ABNH's sales recognition practices.

b. WEISSMAN and his co-conspirators caused the \$6.9 million MasterCard Transaction to be recognized on the books and records of ABN and ABNH as of December 31, 1997, even though most of the merchandise in question was not completed as of that date.

c. WEISSMAN and his co-conspirators deceived ABN's Independent Auditors, using methods that included falsifying and fabricating documents, in order to conceal improper revenue recognition in connection with the MasterCard Transaction and avoid detection of the scheme.

OVERT ACTS

36. In furtherance of the conspiracy and to effect its unlawful objects, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. In or about January 1998, Cantor and Macchiarulo backdated certain shipping records at ABNH's offices in Elmsford, New York relating to MasterCard holograms produced by the Subcontractor.

b. On or about February 25, 1998, in New York, New York, MORRIS WEISSMAN, the defendant, met with a representative of ABN's Independent Auditors regarding, among other things, the fact that the Subcontractor was refusing to sign a confirmation letter in connection with the MasterCard Transaction.

c. On or about March 5, 1998, MORRIS WEISSMAN, the defendant, spoke by telephone with a representative of ABN's Independent Auditors regarding, among other things, the fact that the Subcontractor was refusing to sign a confirmation letter in connection with the MasterCard Transaction.

d. On or about March 9, 1998, in Paterson, New Jersey, MORRIS WEISSMAN, the defendant, met with Person-2 regarding the confirmation letter.

e. In or about March 1998, MORRIS WEISSMAN, the defendant, Cantor and Macchiarulo, signed a management representation letter addressed to ABN's Independent Auditors which

they knew to contain false statements regarding, among other things, the MasterCard Transaction.

f. In or about July 1998, MORRIS WEISSMAN, the defendant, Cantor and Macchiarulo, effected an IPO of ABNH securities and caused a registration statement to be filed with the SEC which they knew to contain false statements regarding ABNH's financial performance including, among other things, the MasterCard Transaction.

(Title 18, United States Code, Section 371).

COUNT TWO

(Fraud In The Offer And Sale Of Securities)

The Grand Jury further charges:

37. The allegations of paragraphs 1 through 30, 35, and 36 of this Indictment are repeated and realleged as though fully set forth herein.

38. In or about July 1998, in the Southern District of New York and elsewhere, MORRIS WEISSMAN, the defendant, unlawfully, willfully, and knowingly, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, did: (a) employ devices, schemes, and artifices to defraud; (b) obtain money and property by means of untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in light of

the circumstances under which they were made, not misleading; and (c) engage in transactions, practices, and courses of business which operated and would operate as a fraud and deceit upon the purchasers of ABNH securities, to wit, WEISSMAN caused ABNH to file documents with the SEC which contained materially false financial statements in connection with approximately 13,636,000 shares of ABNH common stock offered in the ABNH IPO.

(Title 15, United States Code, Sections 77q(a) and 77x; and Title 18, United States Code, Section 2).

COUNT THREE

(False Books And Records)

The Grand Jury further charges:

39. The allegations of paragraphs 1 through 30, 35, and 36 of this Indictment are repeated and realleged as though fully set forth herein.

40. From in or about late 1996 to in or about July 15, 1998, in the Southern District of New York and elsewhere, MORRIS WEISSMAN, the defendant, unlawfully, willfully, and knowingly, directly and indirectly, falsified and caused to be falsified books, records, and accounts which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of the assets of ABN, an issuer with classes of securities outstanding pursuant to Section 12 of the Securities Exchange Act.

(Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5) and 78ff; Title 17, Code of Federal Regulations, Section 240.13b2-1;

and Title 18, United States Code, Section 2).

COUNT FOUR

(False Statements To Auditors)

The Grand Jury further charges:

41. The allegations of paragraphs 1 through 30, 35, and 36 of this Indictment are repeated and realleged as though fully set forth herein.

42. From in or about January 1998 to in or about July 1998, in the Southern District of New York and elsewhere, MORRIS WEISSMAN, the defendant, unlawfully, willfully and knowingly, directly and indirectly, (a) made and caused to be made materially false and misleading statements; and (b) omitted to state, and caused others to omit to state, material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading to accountants in connection with (i) audits and examinations of the financial statements of ABN, an issuer registered pursuant to section 12 of the Securities Exchange

Act of 1934; and (ii) the preparation and filing of documents and reports required to be filed with the SEC pursuant to rules and regulations promulgated by the SEC.

(Title 15, United States Code, Sections 78m(b)(1) and 78ff; Title 17, Code of Federal Regulations, Section 240.13b2-2; and Title 18, United States Code, Section 2).

Foreperson

MARY JO WHITE
United States Attorney